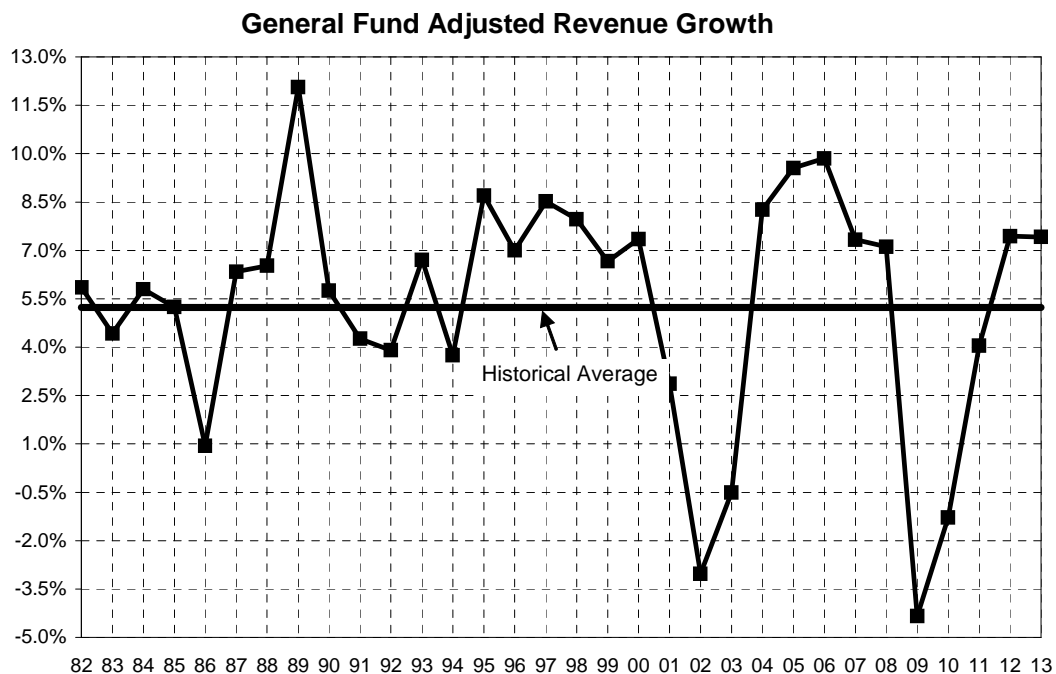


Appropriations Committee

Preliminary Report



February 2010

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Overview

This report provides a projection of the state's General Fund financial picture for the current biennial budget, FY2009-10 and FY2010-11, and the following biennium, FY2011-12 and FY2012-13. The report aims to assist the Legislature with its fiscal planning as it begins to consider 2010 revenue and spending adjustments.

The projections for the current biennium incorporate (1) the October 2009 revenue forecasts of the Nebraska Economic Forecasting Advisory Board, (2) appropriations as enacted in the 2009 legislative session, (3) fund transfers and appropriations changes as enacted in the 2009 Special Session, and (4) the Appropriations Committee preliminary budget adjustments.

The projections for the following biennium incorporate revenue forecasts based on a capped historical average methodology as calculated by the Legislative Fiscal Office (see page 8), projected budget increases based on historical average increases for specific areas assuming current law, and the annualized and on-going impacts of actions taken in the 2009 legislative session.

Current Biennium

At the start of the 2009 Legislative Session, the estimated financial status for the FY10/FY11 biennium showed a \$377.2 million shortfall. From that point to the present, forecasts for FY2008-09, FY2009-10 and FY2010-11 were revised downward three times with a cumulative three year total decline of \$793.3 million. The adjusted revenue growth currently forecast is the lowest consecutive three years in the 28 years in which growth has been calculated and is a cumulative -1.6%. To put this in perspective, the historical average growth is 5.2% so a three year cumulative growth would be 15.6% based on this 28 year average growth. This 17.2% difference is equal to \$580 million on an annual basis with respect to the FY2010-11 current forecast versus what that number would have been growing at the 28 year average. In addition, there was an estimated \$109.5 million revenue loss over the two years of the biennium related to the tax provisions in ARRA (American Recovery and Reinvestment Act).

The original shortfall plus declining revenues and a net \$131 million of increased spending and transfers (mostly for retirement plans, Beatrice State Developmental Center and "Safe Haven" related issues and TEEOSA school aid revised estimates) results in the overall shortfall growing to \$1.38 billion. Budget actions were taken during the 2009 regular and special sessions to cover this shortfall level leaving a variance from the minimum reserve at just a positive \$444,885.

About 79% of this shortfall was covered with a combination of cash fund transfers (\$128.4 million), Cash Reserve Fund transfers (\$256 million), reduction of prior year reappropriations (\$128.3), and use of ARRA funds to offset General Funds (\$578.9

million). Spending reductions accounted for the remaining 21% (\$293 million). These reductions, accomplished in both the regular and special session, included spending reductions (both specific and across the board), not funding salary and health insurance increases in some cases, and reduction in the TEEOSA school aid levels as enacted in LB 545 (2009 Session) and LB 5 (2009 Special Session)

| Cumulative Budget Shortfall and Actions Taken – Current Biennium | | | | |
|---|----------------|----------------|----------------|------------------|
| Millions of Dollars | FY09 | FY10 | FY11 | 3 Yr Total |
| Original Shortfall (Nov 2008) | 0.0 | 0.0 | 0.0 | (377.2) |
| Revenue Declines (including ARRA related) | (188.5) | (345.3) | (342.2) | (876.1) |
| Spending Increases | (1.0) | (84.7) | (45.2) | (130.9) |
| <i>Total Shortfall</i> | <i>(189.5)</i> | <i>(430.0)</i> | <i>(387.4)</i> | <i>(1,384.1)</i> |
| Cash Fund transfers-in | 0.0 | 72.8 | 55.7 | 128.4 |
| Cash Reserve Fund transfers | 0.0 | 105.0 | 151.0 | 256.0 |
| Reduce reappropriation of prior year funds | 65.9 | 62.5 | 0.0 | 128.3 |
| ARRA (Ed+General Stabilization, FMAP, child care) | 64.8 | 274.1 | 240.0 | 578.9 |
| Spending reductions | 0.0 | 91.8 | 201.0 | 292.9 |
| <i>Total Budget Actions Taken to address the shortfall</i> | <i>130.7</i> | <i>606.2</i> | <i>647.7</i> | <i>1,384.5</i> |

Note that this level of shortfall never was shown on the financial status as each time the forecast declined offsetting budget actions were taken.

Following Biennium

While the current FY10/FY11 biennial budget is balanced at the present time, the prospects for the following biennium financial status are at best pessimistic. The current financial status (with the Committee preliminary budget adjustments) yields a projected balance that is \$632 million **below** the minimum reserve. This level of shortfall is obtained even with high revenue growth (7.4% per year) arrived at using the capped historical average methodology (see page 8). This methodology is used in the absence of an official forecast and the high growth reflects the offsetting of the extremely low revenue growth (actual decline) over the preceeding three years.

This large budget shortfall, even with the high revenue growth utilized for planning purposes, is illustrative of the structural imbalance created with the low revenue growth over the three year period and the high amount of one-time items used to “balance” the current biennial budget as previously noted.

There has been much discussion of a “cliff effect” which many associate with the additional General Funds needed in the following biennium to replace the one-time ARRA funds used in the current biennium. First, replacement of ARRA funds isn’t the only “cliff effect”. This effect results from replacement of any one-time use of funds and

there were a substantial amount of other one-time funds used in the current biennium specifically cash fund lapses and the use of the Cash Reserve Fund. Second, utilization of a one-time source of monies will almost always lead to some level of a "cliff effect" if the monies are used to fund on-going items (revenue or spending). While it's preferable that one-time funds be used for one-time items, in a significant shortfall situation this would then require offsetting cuts in on-going programs. In the current situation, the one-time monies were used to support on-going programs to possibly avoid or at least delay much deeper budget cuts. When the cliff effect occurs in the following

| Projected Budget Increases – Following Biennium | | | | |
|--|-------------|-------------|---------------|------------|
| | FY2011-12 | FY2012-13 | 3 Yr Total | % of Total |
| Replace ARRA related one-time funds | 240,002,207 | 240,002,207 | 480,004,414 | 39.2% |
| TEEOSA School Aid (excluding ARRA impact) | 77,172,599 | 182,154,055 | 259,326,654 | 21.2% |
| Medicaid (excluding ARRA impact) | 45,414,730 | 94,025,282 | 139,440,012 | 11.4% |
| Salary and Health Insurance | 39,806,740 | 81,739,602 | 121,546,341 | 9.9% |
| Retirement (Schools, Patrol, Judges) | 56,215,154 | 56,566,154 | 112,781,308 | 9.2% |
| All Other | 29,906,259 | 80,770,005 | 110,676,264 | 9.0% |
| Total General Fund increase (biennial basis) | 488,517,689 | 735,257,305 | 1,223,774,994 | 100.0% |
| <u>Annual Percent Change</u> | | | | |
| With replacement of ARRA funds | 14.3% | 6.3% | 10.3% | |
| Without replacement of ARRA funds | 7.3% | 6.7% | 7.0% | |

biennium, it's possible that the the level of cuts could be lower if additional new spending demands are less than projected and/or higher revenue growth occurs over the next 3 years.

Replacement of the ARRA funds is the single largest increase in the following biennium an accounts for 39% of the total increase in the budget. This includes \$140.3 million Education Stablization funds (TEEOSA school aid),. \$78.7 million of Medicaid federal matching rate (FMAP), and \$17 million of General Stabilization funds (used in Dept of Corrections).

The other largest increase, both in terms of percentage and dollars, is in TEEOSA school aid. General Funds for TEEOSA school aid is projected to increase by 8.4% in FY12 and 10.5% in FY13 not including the replacement of \$140 million of the ARRA Education Stabilization funds. When including replacement of the ARRA funds, General Fund growth is projected at 27.9% in FY12 and 10.5% in FY13. The assumption of low valuation growth (2.5% FY12 and 3.5% in FY13) and phase-out of the cost growth factor savings from LB 5 are major contributors to the non-ARRA related high growth.

Medicaid is projected to grow at 7.5% per year excluding the replacement of ARRA Enhanced FMAP funds. For planning purposes salary increases are included at 2.5% per year and health insurance costs are increased by 10% per year.

The large increase in retirement costs relate to the defined benefit plans for the judges, State Patrol and K-12 schools. These increases are based on the Buck Consultant analysis prepared last session at the request of the Retirement and Appropriations Committees to attempt to identify what future obligations might be in light of the decline in the investment returns experienced in 2008 and projected (at that time) for 2009. These estimates will be revisited as the budget process for the next biennium approaches.

The one bright spot going into the following biennium is the \$325 million Cash Reserve Fund balance that is projected to be carried forward from the current biennium into the next.

Continued Decline in the Financial Status Possible

The financial status as discussed here is based on the current October 2009 forecasts of the Nebraska Economic Forecast Advisory Board (NEFAB) for the current biennium and the capped historical average methodology for the following biennium.

The NEFAB will be meeting on February 26 to evaluate their current forecasts and discuss any possible changes. Actual receipts for November 2009 and January 2010 were relatively close to the cash flow breakdown of their October 2009 forecasts. December 2009 however was a different story where actual receipts were substantially below forecasts for the month. At the present it's unknown if the NEFAB will revise their current forecasts and by how much.

In terms of the following biennium, the NEFAB will not make their first official forecast until October 2010, almost nine months from now. It's unknown what changes in the economy will occur between now and then. However, because of the high revenue growth already reflected in the financial status using the capped historical average methodology, it's more likely that the boards first official forecast will be less than the planning numbers rather than higher.

Although the Forecast Board does not forecast revenues beyond the current biennial budget, both the Nebraska Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two years. The projected "out year" numbers using the historical average methodology are at the high end of the range of projections made by the Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) in April utilizing Global Insight forecast data and the FAIR model. Both the LFO and NDR Fair Model estimates are higher than the historical average estimates. The projections using the Global Insight models, both LFO and NDR are substantially less than the planning numbers, roughly \$400 million less over the two years.

Cash Reserve Fund

The Cash Reserve Fund balance is projected at \$324.7 million at the end of this biennium and the following biennium. This is based on all existing statutory transfers and assumes repayment of \$8.5 million transferred to the Water Contingency Fund in FY2007-08. The Appropriations Committee preliminary budget does not include any additional use of the Cash Reserve Fund for the current biennium.

Differences Between the Committee and Governor

Because there were so few issues at this point in time, the Appropriations Committee preliminary budget is relatively close to the Governors recommendation except for a few instances.

With respect to appropriations, over the two year period the Committee is \$1.6 million above the Governors recommendation. Most of this is attributed to differences in the recommendations for the Legislative Council and Supreme Court. Similar to the special session, the committee proposal does not reduce funding to the extent the Governor recommended.

| General Fund Appropriations (Differences from Governor) | FY2009-10 | FY2010-11 | Two Yr Total |
|--|------------------|------------------|---------------------|
| Courts - Salary savings, court system | 0 | 284,909 | 284,909 |
| HHS - Replace onetime cash, Rural Health Professional Incentives | 0 | 300,000 | 300,000 |
| DAS - State Claims (est for additional claim) | 145,000 | 0 | 145,000 |
| Total – FY09-10 and FY10-11 appropriations | 145,000 | 584,909 | 729,909 |
| Leg Council, reduce reappropriation of FY09 unexpended | 926,296 | 0 | 929,206 |
| General Fund Total – Appropriations above Governor | 1,071,296 | 584,909 | 1,656,205 |

| General Fund Revenues | Governor | Committee Preliminary |
|--|-----------------|------------------------------|
| Transfer In - Securities Act Cash Fund | 2,050,000 | 500,000 |
| Transfer In – Clerk of the Legislature Cash Fund | 0 | 100,000 |
| Transfer In – Affordable Housing Trust Fund | 0 | 3,609,000 |
| General Fund Total - Revenues | 2,050,000 | 4,209,000 |

General Fund Financial Status

Appropriations Committee Preliminary Budget

| | Prior Yr FY2008-09 | Biennial Budget FY2009-10 | FY2010-11 | Following Biennium FY2011-12 | FY2012-13 |
|--|-----------------------|------------------------------|----------------|---------------------------------|----------------------|
| 1 BEGINNING BALANCE | | | | | |
| 2 Beginning Cash Balance | 584,106,356 | 423,814,730 | 194,021,987 | 208,844,100 | (124,761,802) |
| 3 Cash Reserve transfers-automatic | (116,976,571) | 0 | 0 | 0 | 0 |
| 4 Carryover obligations from FY09 (net) | 0 | (201,218,375) | 0 | 0 | 0 |
| 5 2010 Session Reduce FY09 reappropriations | 0 | 142,206 | 0 | 0 | 0 |
| 6 Allocation for potential deficits | 0 | 0 | (5,000,000) | (5,000,000) | (5,000,000) |
| 7 Unobligated Beginning Balance | 467,129,785 | 222,738,561 | 189,021,987 | 203,844,100 | (129,761,802) |
| 8 REVENUES | | | | | |
| 9 Net Receipts (Oct 09 NEFAB+Spec Sess+Hist Avg) | 3,350,510,248 | 3,321,360,000 | 3,396,406,000 | 3,688,766,000 | 3,981,971,000 |
| 10 General Fund transfers-out | (120,200,000) | (126,050,000) | (120,700,000) | (121,700,000) | (119,200,000) |
| 11 General Fund transfers-in | in forecast | in forecast | in forecast | 0 | 0 |
| 12 Cash Reserve transfers | 54,990,505 | 105,000,000 | 151,000,000 | 0 | 0 |
| 13 2010 Session General Fund transfers-out | 0 | 0 | 0 | 0 | 0 |
| 14 2010 Session General Fund transfers-in | 0 | 250,000 | 3,959,000 | 3,500,000 | 3,500,000 |
| 15 2010 Session Cash Reserve transfer | 0 | 0 | 0 | 0 | 0 |
| 16 2010 Session Revenue Bills | 0 | 0 | 0 | 0 | 0 |
| 17 General Fund Net Revenues | 3,285,300,753 | 3,300,560,000 | 3,430,665,000 | 3,570,566,000 | 3,866,271,000 |
| 18 APPROPRIATIONS | | | | | |
| 19 Appropriations Per 2009 Session | 3,328,615,808 | 3,325,296,704 | 3,410,654,213 | 3,410,654,213 | 3,410,654,213 |
| 20 Mainline Budget Adjustments (following biennium) | 0 | 0 | 0 | 488,517,689 | 735,257,305 |
| 21 2010 Session Adjustments | 0 | 3,609,000 | 188,674 | 0 | 0 |
| 22 2010 State Claims | 0 | 370,870 | 0 | 0 | 0 |
| 23 2010 Session "A" Bills | 0 | 0 | 0 | 0 | 0 |
| 24 General Fund Appropriations | 3,328,615,808 | 3,329,276,574 | 3,410,842,887 | 3,899,171,902 | 4,145,911,518 |
| 25 ENDING BALANCE | | | | | |
| 26 Dollar ending balance (Financial Status as shown) | 423,814,730 | 194,021,987 | 208,844,100 | (124,761,802) | (409,402,320) |
| 27 Dollar ending balance (at Minimum Reserve) | 203,883,255 | -- | 208,399,215 | -- | 222,689,741 |
| 28 Excess (shortfall) from Minimum Reserve | 219,931,475 | -- | 444,885 | -- | (632,092,060) |
| 29 Biennial Reserve (%) | 6.4% | | 3.0% | | -5.1% |
| General Fund Appropriations | | | | | |
| 30 Annual % Change - Appropriations (w/o deficits) | 5.3% | -4.4% | 2.4% | 14.3% | 6.3% |
| 31 Two Year Average | 4.6% | -- | -1.0% | -- | 10.3% |
| 32 Four Year Average | -- | -- | -- | -- | 4.5% |
| General Fund Revenues | | | | | |
| 33 Est. Revenue Growth (rate/base adjusted) | -4.4% | -1.3% | 4.0% | 7.4% | 7.4% |
| 34 Two Year Average | 1.3% | -- | 1.4% | -- | 7.4% |
| 34 Five Year Average | 5.6% | -- | 2.2% | -- | 2.6% |
| 35 Structural Revenues vs Appropriations | (98,305,560) | (133,716,574) | (131,177,887) | (328,605,902) | (279,640,518) |
| 65a Structural Revenues vs Approp. (w/o ARRA) | (98,305,560) | (407,840,216) | (371,180,094) | (328,605,902) | (279,640,518) |

| CASH RESERVE FUND | FY2008-09 | FY2009-10 | FY2010-11 | FY2011-12 | FY2012-13 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Projected Unobligated Ending Balance | 578,191,863 | 455,191,863 | 324,742,863 | 324,742,863 | 324,742,863 |

Cash Reserve Fund

The Cash Reserve Fund unobligated balance at the end of this biennium is projected at \$324.7 million. This is based on all existing statutory transfers and assumes repayment of \$8.5 million transferred to the Water Contingency Fund in FY2007-08.

The Appropriations Committee preliminary budget does not include any use of the Cash Reserve Fund beyond what is scheduled under current law.

Table 1 Cash Reserve Fund

| | Estimated FY2008-09 | Estimated FY2009-10 | Estimated FY2010-11 | Estimated FY2011-12 | Estimated FY2012-13 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Beginning Balance | 545,545,797 | 578,191,863 | 455,191,863 | 324,742,863 | 324,742,863 |
| Excess of certified forecasts (line 3 in Status) | 116,976,571 | 0 | 0 | 0 | 0 |
| To/from Gen Fund, per current law | (54,990,505) | (105,000,000) | (151,000,000) | 0 | 0 |
| To Nebr Capital Construction Fund (NCCF) | (9,590,000) | 0 | 0 | 0 | 0 |
| To Job Training Cash Fund | (5,000,000) | 0 | 0 | 0 | 0 |
| To Microenterprise Development Program | (1,000,000) | 0 | 0 | 0 | 0 |
| To Building Entrepreneurial Communities Act | (250,000) | 0 | 0 | 0 | 0 |
| To/From state employee health insurance funds | 0 | (12,000,000) | 12,000,000 | 0 | 0 |
| To/From Water Contingency Cash Fund | 0 | 0 | 8,551,000 | 0 | 0 |
| To State Fair relocation | (5,000,000) | 0 | 0 | 0 | 0 |
| To Cultural Endowment fund | (1,000,000) | 0 | 0 | 0 | 0 |
| To Roads Operations Cash Fund | 0 | (5,000,000) | 0 | 0 | 0 |
| To Governors Emergency Fund | (7,500,000) | 0 | 0 | 0 | 0 |
| To Visitors Promotion (Special Olympics) | 0 | (1,000,000) | 0 | 0 | 0 |
| 2010 Session Transfers | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 578,191,863 | 455,191,863 | 324,742,863 | 324,742,863 | 324,742,863 |

General Fund Revenues

Revenue Forecasts

The FY08-09 actual receipts of -4.4% reflected the lowest adjusted revenue growth since calculations were made back to 1982. The FY09 actual receipts were \$149 million below the prior year (FY2007-08), \$51 million below two years ago (FY2006-07) and only \$5 million higher than receipts three years ago (FY2005-06).

The lower than projected FY08-09 receipts, below forecast receipts in the first three months of FY09-10 and lower estimates provided by the Dept of Revenue and Legislative Fiscal Office resulted in the Forecast Board reducing their revenue forecasts at their regularly scheduled October 2009 meeting by \$123 million in FY09-10 and \$172 million in FY10-11. These revised forecasts result in an adjusted growth of negative -1.3% in FY09-10 but rebounding to 4% (still below average) in FY10-11. Extending the lower revenue base into the out year estimates for FY11-12 and FY12-13 resulted in significantly lower revenue numbers for those two years as compared to the Sine Die planning numbers, \$177 million in FY2011-12 and \$180 million in FY2012-13.

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY11-12 and FY12-13) in the current financial status are derived using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY08 to FY13) roughly equal to the 28 year historical average (5.2%). Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth. The "capped" provision of this methodology means that if the derived growth needed in the out-years to achieve the historical average is higher than the "above average" years, the growth is then capped at the average of the "above average years". Likewise if the historical average method calls for below average growth in the out years, the growth is capped at the average of the "below average years".

Estimates for the following biennium, using the capped historical average methodology, average 7.4%. Because of the extremely low growth in the first three years, the growth needed to achieve a five year 5.2% average was well above the cap level. Therefore, the capped growth in the following biennium yields a 5 year average of 2.6%, about half the 5.2% historical average.

Table 2 - General Fund Revenue Forecasts

| | NEFAB FY2008-09 | NEFAB FY2009-10 | NEFAB FY2010-11 | LFO Prelim FY2011-12 | LFO Prelim FY2012-13 |
|-------------------------------|--------------------|--------------------|--------------------|-------------------------|-------------------------|
| <u>Actual/Forecast</u> | | | | | |
| Sales and Use Tax | 1,326,161,017 | 1,320,000,000 | 1,365,000,000 | 1,463,302,000 | 1,555,671,000 |
| Individual Income Tax | 1,600,418,236 | 1,585,000,000 | 1,630,000,000 | 1,806,000,000 | 2,001,000,000 |
| Corporate Income Tax | 198,483,786 | 165,000,000 | 177,000,000 | 223,084,000 | 227,700,000 |
| Miscellaneous receipts | 232,405,148 | 251,360,000 | 224,406,000 | 196,380,000 | 197,600,000 |
| Total General Fund Revenues | 3,357,468,187 | 3,321,360,000 | 3,396,406,000 | 3,688,766,000 | 3,981,971,000 |
| <u>Adjusted Growth</u> | | | | | |
| Sales and Use Tax | -1.2% | 0.8% | 3.9% | 6.7% | 5.9% |
| Individual Income Tax | -6.6% | -1.4% | 3.2% | 8.4% | 9.7% |
| Corporate Income Tax | -12.4% | -6.7% | 13.8% | 4.4% | -0.9% |
| Miscellaneous receipts | 4.3% | -9.5% | 1.9% | 8.1% | 7.2% |
| Total General Fund Revenues | -4.4% | -1.3% | 4.0% | 7.4% | 7.4% |
| Five Yr Average | 5.6% | -- | 2.3% | -- | 2.5% |

General Fund Transfers-Out

General Fund Transfers-Out accounts for funds that are transferred from the General Fund to another fund within the state treasury. These items have the same affect as an appropriation but are not expended from the General Fund as such and therefore are shown under the revenue category as transfers-out from the General Fund and subsequently expended from the receiving fund.

The Appropriations Committee preliminary budget does not include any changes from those enacted during the 2009 legislative session

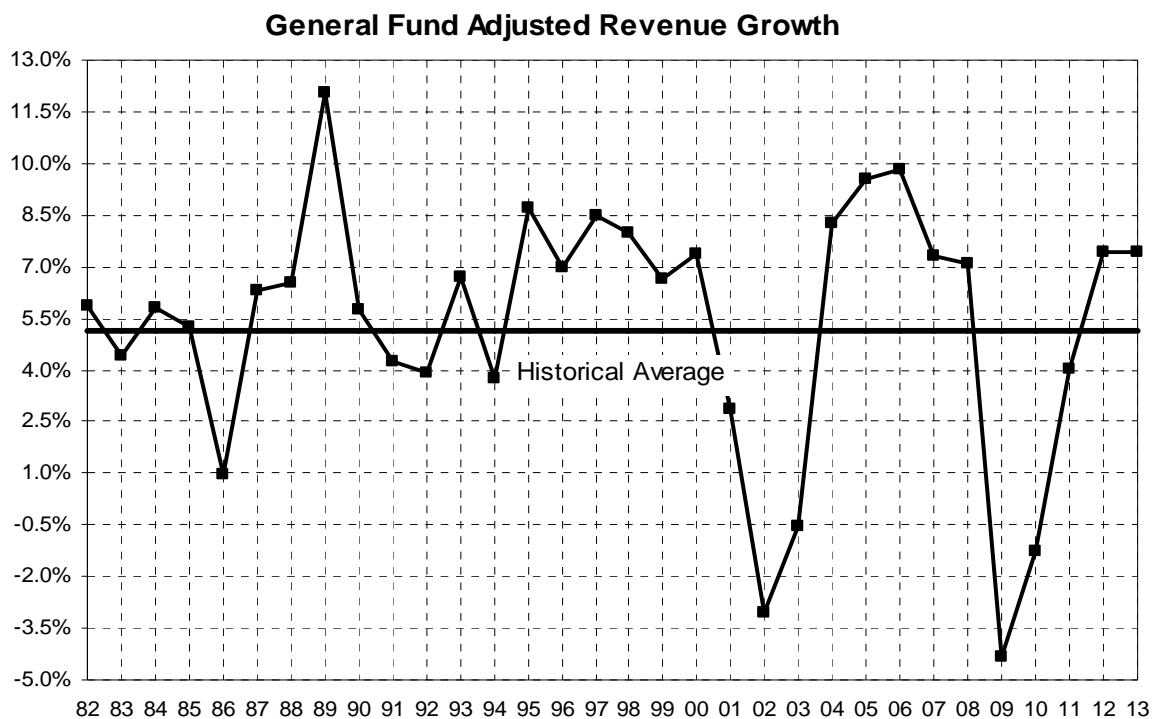


Table 3 General Fund Transfers-Out

| | Actual FY2008-09 | Per 2009 Session | | Following Biennium | |
|---|---------------------|------------------|---------------|--------------------|---------------|
| | | FY2009-10 | FY2010-11 | FY2011-12 | FY2012-13 |
| Ethanol Credits (EPIC Fund) | (2,500,000) | (10,750,000) | (5,500,000) | (2,500,000) | 0 |
| Property Tax Credit Fund | (115,000,000) | (112,000,000) | (112,000,000) | (115,000,000) | (115,000,000) |
| Water Resources Cash Fund | (2,700,000) | (2,700,000) | (2,700,000) | (2,700,000) | (2,700,000) |
| Cultural Preservation Endowment Fund | CRF | (500,000) | (500,000) | (1,500,000) | (1,500,000) |
| Biopower Steering Committee, plan | 0 | (100,000) | 0 | 0 | 0 |
| <i>General Fund Transfers-Out (Current Law)</i> | (120,200,000) | (126,050,000) | (120,700,000) | (121,700,000) | (119,200,000) |
| 2010 Session | 0 | 0 | 0 | 0 | 0 |
| <i>Total-General Fund Transfers-Out</i> | (120,200,000) | (126,050,000) | (120,700,000) | (121,700,000) | (119,200,000) |

General Fund Transfers-In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as "Transfers in" and are included as revenues. The transfers shown below, enacted in the 2009 regular and special sessions are already incorporated into the "Net Receipts" figures of the NEFAB forecasts.

The Appropriations Committee preliminary budget includes three additional transfers: \$250,000 each year from the Securities Act Cash Fund, \$100,000 from the Clerk of the Legislature Cash Fund, and \$3,609,000 from the Affordable Housing Trust Fund to cover the Homestead Exemption deficit. The committee also included intent for two additional transfers next biennium (\$3.5 million each year) from the Affordable Housing Trust Fund..

Table 4 General Fund Transfers-In

| | Actual FY2008-09 | Per 2009 Spec Session FY2009-10 | FY2010-11 | Following Biennium FY2011-12 | FY2012-13 |
|--|---------------------|------------------------------------|---------------|---------------------------------|-----------|
| Securities Act Cash Fund | 19,000,000 | 24,000,000 | 25,000,000 | 0 | 0 |
| Tobacco Products Admin Cash Fund | 12,000,000 | 7,500,000 | 7,500,000 | 0 | 0 |
| Dept of Insurance Cash Fund | 3,000,000 | 9,000,000 | 9,000,000 | 0 | 0 |
| Collection Agency Cash Fund | 0 | 250,000 | 0 | 0 | 0 |
| Charitable Gaming Oper Fund | 0 | 806,734 | 366,817 | 0 | 0 |
| Uniform Commercial Code Cash Fund | 0 | 1,250,000 | 0 | 0 | 0 |
| Resource Recovery Cash Fund | 0 | 150,000 | 0 | 0 | 0 |
| Corporation Cash Fund | 0 | 500,000 | 0 | 0 | 0 |
| Dept of Motor Vehicles Cash Fund | 0 | 1,174,344 | 328,407 | 0 | 0 |
| Waste Reduction and /Recycling Incentive Fund | 0 | 1,608,863 | 1,517,501 | 0 | 0 |
| Workers Comp Cash Fund | 0 | 1,000,000 | 1,000,000 | 0 | 0 |
| Game & Parks Recreation Road Fund | 0 | 378,306 | 1,064,006 | 0 | 0 |
| HHS Professional & Occupational Credentialing | 0 | 126,959 | 258,672 | 0 | 0 |
| Education Innovation Fund | 0 | to University | to University | 0 | 0 |
| Educational Savings Plan Administrative Fund | 0 | 1,250,000 | 0 | 0 | 0 |
| Enhanced Wireless 911 Fund | 0 | 3,400,000 | 0 | 0 | 0 |
| Health and Human Services Cash Fund | 0 | 3,419,720 | 2,559,140 | 0 | 0 |
| Nebraska Capital Construction Fund (NCCF) | 0 | 4,574,466 | 0 | 0 | 0 |
| Job Training Cash Fund | 0 | 5,000,000 | 0 | 0 | 0 |
| Property Assessment Division Cash Fund | 0 | 1,250,000 | 1,000,000 | 0 | 0 |
| State Patrol Carrier Enforcement Fund | 0 | 446,890 | 459,035 | 0 | 0 |
| Nebr Outdoor Recreation & Development (NORD) | 0 | 378,307 | 1,064,007 | 0 | 0 |
| Commercial Feed Administration Cash Fund | 0 | 650,000 | 0 | 0 | 0 |
| Motor Fuel Tax Enforcement and Collection | 0 | 859,798 | 0 | 0 | 0 |
| Supreme Court Automation Cash Fund | 0 | 0 | 201,502 | 0 | 0 |
| Probation Program Cash Fund | 0 | 0 | 479,572 | 0 | 0 |
| Dept of Natural Resources (7 different funds) | 0 | 148,602 | 297,205 | 0 | 0 |
| Secretary of State (5 cash funds) | 0 | 122,217 | 221,415 | 0 | 0 |
| Fire Marshal (3 cash funds) | 0 | 440,995 | 85,144 | 0 | 0 |
| DEQ Livestock Waste Management Cash Fund | 0 | 200,000 | 100,000 | 0 | 0 |
| Commission on Public Advocacy Cash Fund | 0 | 230,000 | 230,000 | 0 | 0 |
| Electrical Board Cash Fund | 0 | 160,430 | 203,396 | 0 | 0 |
| Engineers and Architects Regulation Fund | 0 | 169,464 | 39,745 | 0 | 0 |
| State Athletic Commissioner's Cash Fund | 0 | 300,000 | 0 | 0 | 0 |
| Other 2009 SS lapses (89 funds from 46 agencies) | 0 | 2,013,905 | 2,680,436 | 0 | 0 |
| <i>Transfers-In already in the forecast</i> | 34,000,000 | 72,760,000 | 55,656,000 | 0 | 0 |
| Securities Act Cash Fund | 0 | 250,000 | 250,000 | 0 | 0 |
| Affordable Housing Trust Fund | 0 | 0 | 3,609,000 | 3,500,000 | 3,500,000 |
| Clerk of the Legislature Cash Fund | 0 | 0 | 100,000 | 0 | 0 |
| <i>General Fund Transfers-In 2010 Session</i> | 0 | 250,000 | 3,959,000 | 3,500,000 | 3,500,000 |
| <i>Total General Fund Transfers-In</i> | 34,000,000 | 73,010,000 | 59,615,000 | 3,500,000 | 3,500,000 |

General Fund Appropriations

The financial status shown includes the Appropriations Committee preliminary recommendation for current year deficits (FY2009-10) and adjustments for FY2010-11, the second year of the biennial budget.

Because many issues were taken care of during the recent special session in October 2009 there are very few items. Virtually all the overall net increase in appropriations is attributed to the deficit in Homestead Exemption reimbursements.

| Committee Preliminary Adjustments | FY2009-10 | FY2010-11 | Two Yr Total |
|---|------------------|------------------|---------------------|
| Courts - Salary savings, court system | 0 | (160,000) | (160,000) |
| Treasurer - State Treasurer health insurance | 2,000 | 3,200 | 5,200 |
| Treasurer - Reduction to offset Treasurer health insurance deficit | (2,000) | (3,200) | (5,200) |
| Revenue - Homestead Exemption | 3,609,000 | 0 | 3,609,000 |
| HHS - Replace onetime use of cash, Rural Health Professional Incentives | 0 | 300,000 | 300,000 |
| HHS - Shift funds, group home room & board (Public Assistance) | 1,160,000 | 1,160,000 | 2,320,000 |
| HHS - Shift funds, group home room & board (Medicaid) | (1,160,000) | (1,160,000) | (2,320,000) |
| HHS - Shift operations funds for program statement (GI Vets Home) | 0 | (150,000) | (150,000) |
| HHS - Program statement for the GI Vets Home | 0 | 150,000 | |
| DAS - State Claims | 370,870 | 0 | 370,870 |
| Retirement - Adjust appropriation, State Patrol retirement plan | 0 | 105,610 | 105,610 |
| Retirement - Adjust appropriation, K-12 School employee retirement plan | 0 | (56,936) | (56,936) |
| Total – FY09-10 and FY10-11 appropriations | 3,979,870 | 188,674 | 4,168,544 |
| Leg Council, reduce reappropriation of FY09 unexpended | (142,206) | 0 | (142,206) |
| General Fund Total | 3,837,664 | 188,674 | 4,026,338 |

Appendix A

General Fund Mid-Biennium Budget Adjustments – Governor and Committee Preliminary

| Agency | Item | Governor FY2009-10 | Governor FY2010-11 | Preliminary FY2009-10 | Preliminary FY2010-11 | Difference from Governor | |
|--|---|-----------------------|-----------------------|--------------------------|--------------------------|--------------------------|-----------|
| | | | | | | FY2009-10 | FY2010-11 |
| Courts | Salary savings, court system | 0 | (444,909) | 0 | (160,000) | 0 | 284,909 |
| Treasurer | State Treasurer health insurance | 2,000 | 2,000 | 2,000 | 3,200 | 0 | 1,200 |
| Treasurer | Reduction to offset Treasurer health insurance deficit | (2,000) | (2,000) | (2,000) | (3,200) | 0 | (1,200) |
| Revenue | Homestead Exemption | 3,609,000 | 0 | 3,609,000 | 0 | 0 | 0 |
| HHS System | Replace onetime use of cash, Rural Health Professional Incentives | 0 | 0 | 0 | 300,000 | 0 | 300,000 |
| HHS System | Shift funds, group home room & board (Public Assistance) | 1,160,000 | 1,160,000 | 1,160,000 | 1,160,000 | 0 | 0 |
| HHS System | Shift funds, group home room & board (Medicaid) | (1,160,000) | (1,160,000) | (1,160,000) | (1,160,000) | 0 | 0 |
| HHS System | Shift operations funds for program statement (GI Vets Home) | 0 | (150,000) | 0 | (150,000) | 0 | 0 |
| HHS System | Program statement for the GI Vets Home | 0 | 150,000 | 0 | 150,000 | 0 | 0 |
| DAS | State Claims | 225,870 | 0 | 370,870 | 0 | 145,000 | 0 |
| Retirement | Adjust appropriation, State Patrol retirement plan | 0 | 105,610 | 0 | 105,610 | 0 | 0 |
| Retirement | Adjust appropriation, K-12 School employee retirement plan | 0 | (56,936) | 0 | (56,936) | 0 | 0 |
| General Funds - FY10 & FY11 Appropriations | | 3,834,870 | (396,235) | 3,979,870 | 188,674 | 145,000 | 584,909 |
| Leg Council: Reduce reappropriation of FY09 unexpended funds | | (1,068,502) | 0 | (142,206) | 0 | 926,296 | 0 |
| Total General Funds - New Appropriations | | 2,766,368 | (396,235) | 3,837,664 | 188,674 | 1,071,296 | 584,909 |

Appendix B

Summary of the FY10 / FY11 General Fund Budget with Preliminary Adjustment

| | w/o Deficits FY2008-09 | w/o Deficits FY2009-10 | Deficits FY2009-10 | With Deficits FY2009-10 | Total Per 2009 Spec Sess FY2010-11 | 2010 Session Changes FY2010-11 | Revised FY2010-11 | Change over Prior Yr FY2009-10 (w/o deficits) | | Change over Prior Yr FY2010-11 (w/o deficits) | | 2 Yr Avg Change |
|--|---------------------------|---------------------------|-----------------------|----------------------------|--|--------------------------------------|----------------------|--|--------|--|-------|--------------------|
| | | | | | | | | \$ | % | \$ | % | |
| <u>AGENCY OPERATIONS</u> | | | | | | | | | | | | |
| University/Colleges | 537,499,238 | 527,816,350 | 0 | 527,816,350 | 540,090,076 | 0 | 540,090,076 | (9,682,888) | -1.8% | 12,273,726 | 2.3% | 0.2% |
| Health & Human Services System | 224,867,892 | 244,381,736 | 0 | 244,381,736 | 254,721,769 | (150,000) | 254,571,769 | 19,513,844 | 8.7% | 10,190,033 | 4.2% | 6.4% |
| Correctional Services | 148,460,688 | 120,145,021 | 0 | 120,145,021 | 142,575,132 | 0 | 142,575,132 | (28,315,667) | -19.1% | 22,430,111 | 18.7% | -2.0% |
| Courts | 67,935,364 | 69,386,261 | 0 | 69,386,261 | 71,328,393 | (160,000) | 71,168,393 | 1,450,897 | 2.1% | 1,782,132 | 2.6% | 2.4% |
| State Patrol | 52,926,634 | 54,313,186 | 0 | 54,313,186 | 55,899,726 | 0 | 55,899,726 | 1,386,552 | 2.6% | 1,586,540 | 2.9% | 2.8% |
| Revenue | 29,646,103 | 28,801,138 | 0 | 28,801,138 | 27,587,352 | 0 | 27,587,352 | (844,965) | -2.9% | (1,213,786) | -4.2% | -3.5% |
| Retirement Board | 19,468,215 | 25,589,490 | 0 | 25,589,490 | 27,371,336 | 48,674 | 27,420,010 | 6,121,275 | 31.4% | 1,830,520 | 7.2% | 18.7% |
| Other 39 Agencies | 140,753,844 | 140,094,806 | 370,870 | 140,465,676 | 139,827,233 | 0 | 139,827,233 | (659,038) | -0.5% | (267,573) | -0.2% | -0.3% |
| Total-GF Operations | 1,221,557,978 | 1,210,527,988 | 370,870 | 1,210,898,858 | 1,259,401,017 | (261,326) | 1,259,139,691 | (11,029,990) | -0.9% | 48,611,703 | 4.0% | 1.5% |
| <u>STATE AID TO INDIVIDUALS</u> | | | | | | | | | | | | |
| Medicaid | 590,958,613 | 445,306,457 | (1,160,000) | 444,146,457 | 507,644,000 | 0 | 507,644,000 | (145,652,156) | -24.6% | 62,337,543 | 14.0% | -7.3% |
| Public Assistance | 241,622,331 | 236,346,958 | 1,160,000 | 237,506,958 | 246,964,986 | 0 | 246,964,986 | (5,275,373) | -2.2% | 10,618,028 | 4.5% | 1.1% |
| Developmental disabilities aid | 71,166,316 | 83,269,149 | 0 | 83,269,149 | 90,573,431 | 0 | 90,573,431 | 12,102,833 | 17.0% | 7,304,282 | 8.8% | 12.8% |
| Behavioral Health aid | 69,273,006 | 74,225,354 | 0 | 74,225,354 | 74,721,481 | 0 | 74,721,481 | 4,952,348 | 7.1% | 496,127 | 0.7% | 3.9% |
| Childrens Health Insurance (CHIP) | 11,761,892 | 9,125,708 | 0 | 9,125,708 | 11,559,015 | 0 | 11,559,015 | (2,636,184) | -22.4% | 2,433,307 | 26.7% | -0.9% |
| Aging Programs | 7,717,193 | 7,918,808 | 0 | 7,918,808 | 7,999,438 | 0 | 7,999,438 | 201,615 | 2.6% | 80,630 | 1.0% | 1.8% |
| Higher Ed Student Aid programs | 6,832,315 | 6,908,351 | 0 | 6,908,351 | 6,994,389 | 0 | 6,994,389 | 76,036 | 1.1% | 86,038 | 1.2% | 1.2% |
| Public Health Aid | 4,124,776 | 4,786,648 | 0 | 4,786,648 | 4,807,372 | 0 | 4,807,372 | 661,872 | 16.0% | 20,724 | 0.4% | 8.0% |
| Community health centers | 3,525,000 | 3,806,575 | 0 | 3,806,575 | 3,867,394 | 0 | 3,867,394 | 281,575 | 8.0% | 60,819 | 1.6% | 4.7% |
| All Other Aid to Individuals/Other | 8,834,190 | 8,562,935 | 0 | 8,562,935 | 8,489,820 | 300,000 | 8,789,820 | (271,255) | -3.1% | 226,885 | 2.6% | -0.3% |
| Total-GF Aid to Individuals/Other | 1,015,815,632 | 880,256,943 | 0 | 880,256,943 | 963,621,326 | 300,000 | 963,921,326 | (135,558,689) | -13.3% | 83,664,383 | 9.5% | -2.6% |
| <u>STATE AID TO LOCAL GOVT</u> | | | | | | | | | | | | |
| State Aid to Schools (TEEOSA) | 823,527,243 | 824,960,159 | 0 | 824,960,159 | 778,529,472 | 0 | 778,529,472 | 1,432,916 | 0.2% | (46,430,687) | -5.6% | -2.8% |
| Special Education | 184,893,842 | 184,893,842 | 0 | 184,893,842 | 184,893,842 | 0 | 184,893,842 | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Aid to Community Colleges | 87,266,476 | 86,966,256 | 0 | 86,966,256 | 86,758,025 | 0 | 86,758,025 | (300,220) | -0.3% | (208,231) | -0.2% | -0.3% |
| Homestead Exemption | 76,120,104 | 62,250,000 | 3,609,000 | 65,859,000 | 65,000,000 | 0 | 65,000,000 | (13,870,104) | -18.2% | 2,750,000 | 4.4% | -7.6% |
| Aid to ESU's | 16,089,570 | 15,887,570 | 0 | 15,887,570 | 15,093,191 | 0 | 15,093,191 | (202,000) | -1.3% | (794,379) | -5.0% | -3.1% |
| Aid to Cities | 11,257,193 | 11,482,763 | 0 | 11,482,763 | 11,188,333 | 0 | 11,188,333 | 225,570 | 2.0% | (294,430) | -2.6% | -0.3% |
| Aid to Counties | 4,965,866 | 4,841,719 | 0 | 4,841,719 | 4,717,573 | 0 | 4,717,573 | (124,147) | -2.5% | (124,146) | -2.6% | -2.5% |
| County jail cost reimbursement | 3,910,000 | 3,812,250 | 0 | 3,812,250 | 3,714,500 | 0 | 3,714,500 | (97,750) | -2.5% | (97,750) | -2.6% | -2.5% |
| Early Childhood programs | 3,615,426 | 3,604,328 | 0 | 3,604,328 | 3,434,655 | 0 | 3,434,655 | (11,098) | -0.3% | (169,673) | -4.7% | -2.5% |
| Other Aid to Local Govt | 24,403,090 | 21,640,653 | 0 | 21,640,653 | 20,650,046 | 0 | 20,650,046 | (2,762,437) | -11.3% | (990,607) | -4.6% | -8.0% |
| Total-GF Aid to Local Govt | 1,236,048,810 | 1,220,339,540 | 3,609,000 | 1,223,948,540 | 1,173,979,637 | 0 | 1,173,979,637 | (15,709,270) | -1.3% | (46,359,903) | -3.8% | -2.5% |
| <u>CAPITAL CONSTRUCTION</u> | 8,238,322 | 14,172,233 | 0 | 14,172,233 | 13,652,233 | 150,000 | 13,802,233 | 5,933,911 | 72.0% | (370,000) | -2.6% | 29.4% |
| <u>TOTAL GENERAL FUNDS</u> | 3,481,660,742 | 3,325,296,704 | 3,979,870 | 3,329,276,574 | 3,410,654,213 | 188,674 | 3,410,842,887 | (156,364,038) | -4.5% | 85,546,183 | 2.6% | -1.0% |

Members of the Appropriations Committee

| | | |
|-------------------------|----------------------|-------------------|
| Sen Lavon Heidemann (C) | Sen Danielle Conrad | Sen John Nelson |
| Sen John Harms (VC) | Sen Tom Hansen | Sen Heath Mello |
| Sen Tony Fulton | Sen Jeremy Nordquist | Sen John Wightman |